

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES  
PARCEL SELECT & PARCEL RETURN SERVICE  
PARCEL SELECT & PARCEL RETURN SERVICE CONTRACT 14

Docket No. MC2022-17

COMPETITIVE PRODUCT PRICES  
PARCEL SELECT & PARCEL RETURN SERVICE CONTRACT 14  
(MC2022-17)  
NEGOTIATED SERVICE AGREEMENT

Docket No. CP2022-18

**USPS REQUEST TO ADD PARCEL SELECT AND  
PARCEL RETURN SERVICE CONTRACT 14  
TO COMPETITIVE PRODUCT LIST AND  
NOTICE OF FILING MATERIALS UNDER SEAL**  
(November 2, 2021)

In accordance with 39 U.S.C. § 3642, 39 C.F.R. § 3020.30 et seq., and 39 C.F.R. § 3015.5, the United States Postal Service requests that Parcel Select & Parcel Return Service Contract 14 be added to the competitive product list within the Mail Classification Schedule. This is a competitive product not of general applicability within the meaning of 39 U.S.C. § 3632(b)(3).

Attachment A is a redacted version of the Governors' Decision, which includes the explanation and justification required by the Commission's rules. Attachment B is a redacted version of the contract. Attachment C shows the requested changes in the Mail Classification Schedule product list, with the additions underlined. Attachment D provides a statement of supporting justification, as required by 39 C.F.R. § 3020.32. Attachment E is a certification of compliance with 39 U.S.C. § 3633(a)(1) and (3). Unredacted versions of the Governors' Decision, contract, and required cost and

revenue data are being filed under seal. Attachment F provides an Application for Nonpublic Treatment of these materials.

As required by 39 U.S.C. § 3642(d)(1), this Request is being published in the Federal Register.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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November 2, 2021

**ATTACHMENT A TO REQUEST  
REDACTED GOVERNORS' DECISION**

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR DOMESTIC COMPETITIVE AGREEMENTS, OUTBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, INBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, AND OTHER NON-PUBLISHED COMPETITIVE RATES (GOVERNORS' DECISION NO. 19-1)**

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February 7, 2019

**STATEMENT OF EXPLANATION AND JUSTIFICATION**

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices.

This decision establishes new prices for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates. Domestic Competitive Agreements consist of negotiated service agreements with Postal Service customers for domestic services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Inbound International Competitive Agreements consist of negotiated service agreements with foreign postal operators or other entities for inbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Other Non-Published Competitive Rates consist of rates not of general applicability that are not embodied in contractual instruments.

With respect to any product within the above categories, management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to make all necessary regulatory filings with the Postal

Regulatory Commission. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

The Postal Accountability and Enhancement Act (PAEA) requires that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. For agreements subject to this Decision, there are hereby established prices that will enable each agreement to cover at least 100 percent of the attributable costs for the relevant product and that conform in all other respects to 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. As discussed in the accompanying management analysis, the Chief Financial Officer (or his delegate(s)) shall certify that all cost inputs have been correctly identified for prices subject to this Decision and that all prices subject to this Decision conform to this Decision and to the requirements of the PAEA.

No agreement, grouping of functionally equivalent agreements, or other classification authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 U.S.C. § 3632(b)(3). On a semi-annual basis, management shall furnish the Governors with a report on all non-published rate and classification initiatives, as specified in the accompanying Management Analysis. Not less than once each year, the Governors shall review the basis for this Decision and make such further determination as they may deem necessary. This Decision does not affect postal management's obligation to furnish to the Board of Governors information regarding any significant new program, policy, major modification, or initiative, or any other matter under 39 C.F.R. § 3.7(d), including where such a matter also falls within the scope of this Decision.



This Decision supersedes previous Governors' Decisions setting classifications and rates not of general applicability for competitive products; however, prices and classifications established under those Decisions may continue to be offered until the expiration of their terms, and contractual option periods and extension provisions that are included in the existing and future agreements can continue to be exercised.

## **ORDER**

In accordance with the foregoing Decision of the Governors, the new prices and terms set forth herein for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement or other nonpublished rate and classification initiative is authorized under this Decision only if the prices fall within this Decision and the certification process specified herein is followed. Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of any necessary review by the Postal Regulatory Commission.

By The Governors:

A handwritten signature in cursive script, reading "Robert M. Duncan", is written over a horizontal line.

Robert M. Duncan

Chairman, Board of Governors

## Attachment A

### **Management Analysis of Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates**

This analysis concerns the inbound competitive prices and classifications in the Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (collectively, "competitive instruments"). Competitive instruments are often negotiated with customers and foreign postal operators for better cost coverage, higher overall contribution, and improved service with respect to postal services classified as competitive. They may also arise from other sources, such as the Universal Postal Convention.

The cost coverage for each competitive agreement or grouping of functionally equivalent instruments (collectively, each "product") will be [REDACTED]

[REDACTED]

The cost coverage for a product equals [REDACTED]

[REDACTED]

[REDACTED]

Each competitive instrument may have multiple price categories and negotiated components. Examples of such categories or components would be Priority Mail, Priority Mail Express, Parcel Return Service, Parcel Select, First-Class Package Service, First Class Package International Service, Commercial ePacket Service, Priority Mail International, Priority Mail Express International, International Priority Airmail, International Surface Air Lift, Inbound Parcel Post, Inbound Direct Entry, and Inbound EMS services. These or other categories may include other services that the relevant customer or foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in the same manner within the United States Postal Service's network. Such instruments may also establish negotiated rates for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Prices

established by these formulas should not interfere with competitive products' ability as a whole to comply with 39 U.S.C. §3633(a)(3), which, as implemented by 39 C.F.R. § 3015.7(c), requires competitive products to contribute a minimum percentage to the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products should arise from 39 U.S.C. §3633(a)(1).



The Postal Service shall submit a semi-annual report to the Governors. The report shall include information on the cost coverage for each agreement or initiative that has been executed under the authority of Governors' Decision 19-1. Agreements classified as non-published rates or rate ranges may be reported as a collective grouping; all other agreements or initiatives are to be reported separately. The report shall also include cost coverage information on any agreements and nonpublished initiatives established under previous numbered Governors' Decisions and Resolutions.

**UNITED STATES POSTAL SERVICE  
OFFICE OF THE BOARD OF GOVERNORS**

**CERTIFICATION OF GOVERNORS' VOTE ON  
GOVERNORS' DECISION NO. 19-1**

Consistent with 39 USC 3632(a), I hereby certify that the following Governors  
voted in favor of Governors' Decision No. 19-1:

Robert M. Duncan  
David C. Williams



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Michael J. Elston  
Secretary of the Board of Governors (A)

7 February 2019

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Date

**ATTACHMENT B TO REQUEST  
REDACTED SHIPPING SERVICES CONTRACT**

**SHIPPING SERVICES CONTRACT  
BETWEEN  
THE UNITED STATES POSTAL SERVICE  
AND  
[REDACTED]  
REGARDING  
PARCEL SELECT  
AND  
PARCEL RETURN SERVICE**

This Contract for shipping services is made by and between [REDACTED], a corporation organized and existing under the laws of [REDACTED] with its principal office at [REDACTED] [REDACTED] (“Customer”), and the United States Postal Service, an independent establishment of the Executive Branch of the United States Government established by the Postal Reorganization Act, Public Law 91-375, with its principal office at 475 L’Enfant Plaza SW, Washington, DC 20260 (the “Postal Service”). The Postal Service and Customer are referred to herein collectively as the “Parties” and each as a “Party”.

WHEREAS, it is the intention of the Parties to enter into a Shipping Services Contract (“SSC” or “Contract”) that will benefit the Postal Service, the postal system as a whole, and Customer, and that will comply with the requirements of Title 39 United States Code, as amended by the Postal Accountability and Enhancement Act of 2006,

NOW, THEREFORE, the Parties agree as follows:

**I. Terms**

The following terms apply as of the Effective Date, as defined below:

- A. Except to the extent different terms or prices are specified in this Contract, applicable provisions of the Domestic Mail Manual (as may be regularly updated by the Postal Service and posted at [http://pe.usps.com/text/dmm300/dmm300\\_landing.htm](http://pe.usps.com/text/dmm300/dmm300_landing.htm)) and of other postal laws and standards, including USPS Publication 52 – Hazardous, Restricted, and Perishable Mail, apply to mail tendered under this Contract.
- B. This Contract applies to Customer’s packages (collectively “Contract Packages”), excluding packages originating from and/or addressed to ZIP Codes contained in Table A below, as follows:
  - 1. Parcel Select pound-rated DNDC machinable packages that are no greater than [REDACTED], and are not addressed to any ZIP Codes in Attachment A [REDACTED];
  - 2. Parcel Select pound-rated DNDC machinable packages that are no greater than [REDACTED], and addressed to any ZIP Codes in Attachment A [REDACTED];



3. Parcel Select pound-rated DSCF 3-Digit machinable packages that are no greater than [REDACTED], and not addressed to any ZIP Codes in Attachment A [REDACTED];
4. Parcel Select pound-rated DSCF 3-Digit machinable packages that are no greater than [REDACTED], and addressed to any ZIP Codes in Attachment A [REDACTED];
5. Parcel Select pound-rated DSCF 5-Digit machinable packages that are no greater than [REDACTED], and not addressed to any ZIP Codes in Attachment A [REDACTED];
6. Parcel Select pound-rated DSCF 5-Digit machinable packages that are no greater than [REDACTED], and addressed to any ZIP Codes in Attachment A [REDACTED];
7. Parcel Select pound-rated DDU packages that are no greater than [REDACTED], and not addressed to any ZIP Code in Attachment A [REDACTED];
8. Parcel Select pound-rated DDU packages that are no greater than [REDACTED], and addressed to any ZIP Code in Attachment A [REDACTED];
9. Parcel Return Service machinable packages that are no greater than [REDACTED] and being returned to designated Return Sectional Center Facilities (“RSCFs”);
10. Parcel Return Service machinable packages that are no greater than [REDACTED] and being returned to designated Return Delivery Units (“RDUs”); and
11. Parcel Select Ground Returns packages that are no greater than [REDACTED]

The ZIP Codes contained in Attachment A may be modified by the Postal Service.

Customer may tender machinable 5-Digit presorted packages to DSCF service hub facilities (“DSHF”) that are authorized by the Postal Service and receive the applicable machinable DSCF 5-Digit published prices for packages addressed to ZIP Codes in Attachment A or the applicable DSCF 5-Digit Contract Prices for machinable packages not addressed to ZIP Codes in Attachment A. Such facilities will be recorded in the Operations SOP described in Section I.T below. The Postal Service reserves its right to revoke its prior authorization of any DSHF and remove such

DSHF from the Operations SOP after thirty (30) days' written notification to Customer as well as the availability of DSCF 5-Digit price to packages tendered at DSHFs.

This Contract only applies to Customer's Parcel Select Lightweight packages and Customer's other Parcel Select pound rated DDU and DSCF packages to the extent that they may be eligible under Section I.P below for certain Premium Services.

- C. Customer expressly commits to not offer, sell, or allow the use of Contract Pricing provided in this Contract to any other entity or party (i.e. "reselling"). Customer shall not extend pricing to a third party under this Contract, including commercial published pricing for the products defined in Section I.B, or any prices below commercial published pricing. For the avoidance of doubt, a violation of this section will constitute a material breach of this Contract. This requirement may be waived in writing by the Postal Service, expressly for the limited purpose of Customer's dropshipping activities.
- D. Customer will manifest Contract Packages under a separate account as specified by the Postal Service, using the Electronic Verification System ("eVS") or successor eVS system. Current specifications can be found in Publication 205: eVS Business and Technical Guide. Only Contract Packages, and Customer's other Parcel Select pound-rated DDU, DSCF and DNDC packages, Parcel Select Lightweight packages, Parcel Return Service RDU and RSCF packages and Parcel Select Ground Returns packages ("Total Packages"), shipped from authorized permit numbers shall count toward the volume tier requirements in Sections I.H, I.I, I.J and Tables E and F below. Customer's Parcel Select pound-rated DDU Total Packages, Parcel Select pound-rated DSCF Total Packages, Parcel Select Lightweight DDU Total Packages, Parcel Select Lightweight DSCF Total Packages, Parcel Return Service RDU and RSCF Total Packages, and Parcel Select Ground Returns Total Packages (collectively, "Group A Total Packages") shall count towards the volume tier requirements in Sections I.I and Table E below. Total Packages that are not Group A Total Packages ("Group B Total Packages") shall count towards the volume tier requirements in Section I.J and Table F below.
- E. Customer must prepare Parcel Select pound-rated and Parcel Select Lightweight packages in the manner specified by the Postal Service. Customer shall refrain from preparing its Contract Packages in any way that violates the packaging requirements specified in the Domestic Mail Manual. Should the Postal Service determine that Customer has failed to cure repetitive non-compliance with the packaging requirements for an authorized DNDC, DSCF or DSHF, the Postal Service may revoke its authorization for such facility by providing thirty (30) days' notice to Customer. After the thirty (30) days' notice, Contract Packages tendered to such facility will no longer be eligible for Contract Prices and such facility will be removed from the Operations SOP.
- F. Delivery Appointments and Notifications. If the Postal Service requires an appointment for package deposit through the Facility Access Shipment Tracking

(FAST) system, Customer will be issued recurring appointment IDs from the Postal Service for the respective DNDC, DSCF, DSHF and DDU facilities where Customer delivers. Customer will not be required to schedule delivery appointments for Postal Service facilities including the use of FAST. Only Contract Packages tendered at authorized DNDC, DSCF, DSHF and DDU facilities are eligible for the customized prices authorized by this Contract. Customer must request permission from the Postal Service in writing to add additional authorized facilities and, if approved, such facilities will be recorded in the Operations SOP referenced in Section I.T of this Contract.

G.

[REDACTED]

[REDACTED]

[REDACTED]

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1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

H. The terms and prices contained herein will take effect on the Effective Date as defined in Section II. Calendar and Contract Quarters are defined as:

1. Contract Years. "Contract Year(s)", refer to the twelve-month periods beginning January 1<sup>st</sup> each year of this Contract.
2. Calendar Quarters. "Calendar Quarter(s)" or "Quarter(s)", refer to the periods as follows in Table D below.

**Table D**

Calendar Quarters	
Start of Period	End of Period
January 1 <sup>st</sup>	March 31 <sup>st</sup>
April 1 <sup>st</sup>	June 30 <sup>th</sup>
July 1 <sup>st</sup>	September 30 <sup>th</sup>
October 1 <sup>st</sup>	December 31 <sup>st</sup>

3. Contract Quarters. Contract Quarters will be the periods consisting of the Calendar Quarters shown in Table D, with Contract Quarter 1 being set as the first Calendar Quarter in effect, as of the Effective Date of the Contract.
4. Tier threshold. As outlined in Tables E and F below, the following quarterly average volumes must be met in order to achieve the applicable Contract Package prices in Section I.L.

[REDACTED]

\*After Contract Year 1, if the minimum for Tier 2 is not met for any rolling four Contract Quarter period, Customer will receive Tier 1 pricing as long as the most recent Contract Quarter's Group A Total Package volume exceeds the Group A Total Package volume shipped during the same period the previous year ("SPLY"). After Contract Year 1, if the minimum for Tier 2 is not met for any rolling four Contract Quarter period and the most recent Contract Quarter's Group A Total Package volume is less than the Group A Total Package volume shipped during the same period the previous year (SPLY), the Postal Service reserves the right to revert Customer to prevailing published prices for Parcel Select DDU and DSCF, Parcel Return Service RDU and RSCF, and Parcel Select Ground Returns the following Contract Quarter.

[REDACTED]

[REDACTED]

[REDACTED]

\*\*After Contract Year 1, if the minimum for Tier 2 is not met for any rolling four Contract Quarter period, Customer will receive Tier 1 pricing as long as the most recent Contract Quarter's Group B Total Package volume exceeds the Group B Total Package volume shipped

during the same period the previous year (SPLY). After Contract Year 1, if the minimum for Tier 2 is not met for any rolling four Contract Quarter period and the most recent Contract Quarter's Group B Total Package volume is less than the Group B Total Package volume shipped during the same period the previous year (SPLY), the Postal Service reserves the right to revert Customer to prevailing published prices for Parcel Select DNDC the following Contract Quarter.

[REDACTED]

[REDACTED]

I. Contract Pricing Tiers Determination for DDU, DSCF, RDU, RSCF and Ground Returns.

1. From the Effective Date of the Contract until the end of Contract Year 1, Customer will pay Tier 4 prices for [REDACTED]  
[REDACTED] pursuant to Tables 4 and 11 below. Should Customer fail to ship at least [REDACTED] Group A Total Packages during Contract Year 1, Customer will pay the Postal Service the difference between the prices paid and prevailing published prices as of the date of shipment for all pound-rated [REDACTED]  
[REDACTED] shipped during Contract Year 1. Where applicable, the Postal Service will determine the additional postage due which Customer will be required to pay within forty-five (45) calendar days of written notification from the Postal Service. Early termination of this Contract does not exempt Customer's requirement to pay any additional postage due pursuant to this Section I.I.1. If the Postal Service terminates this Contract before the end of the first Contract Year, Customer is exempt from any additional postage due pursuant to this Section I.I.1 that Customer would have otherwise been required to pay.



2. Subsequent tier pricing will be determined by the quarterly average of Group A Total Packages shipped during the term of this Contract. If the quarterly average of Group A Total Packages shipped falls below the minimum volume set for Tier 1 pricing, the Postal Service in its sole discretion has the right to revert Customer to prevailing published prices for Parcel Select DDU, Parcel Select DSCF 5-Digit, Parcel Select DSCF 3-Digit, Parcel Return Service RDU, Parcel Return Service RSCF, and Parcel Select Ground Returns, respectively, for the subsequent Contract Quarter.

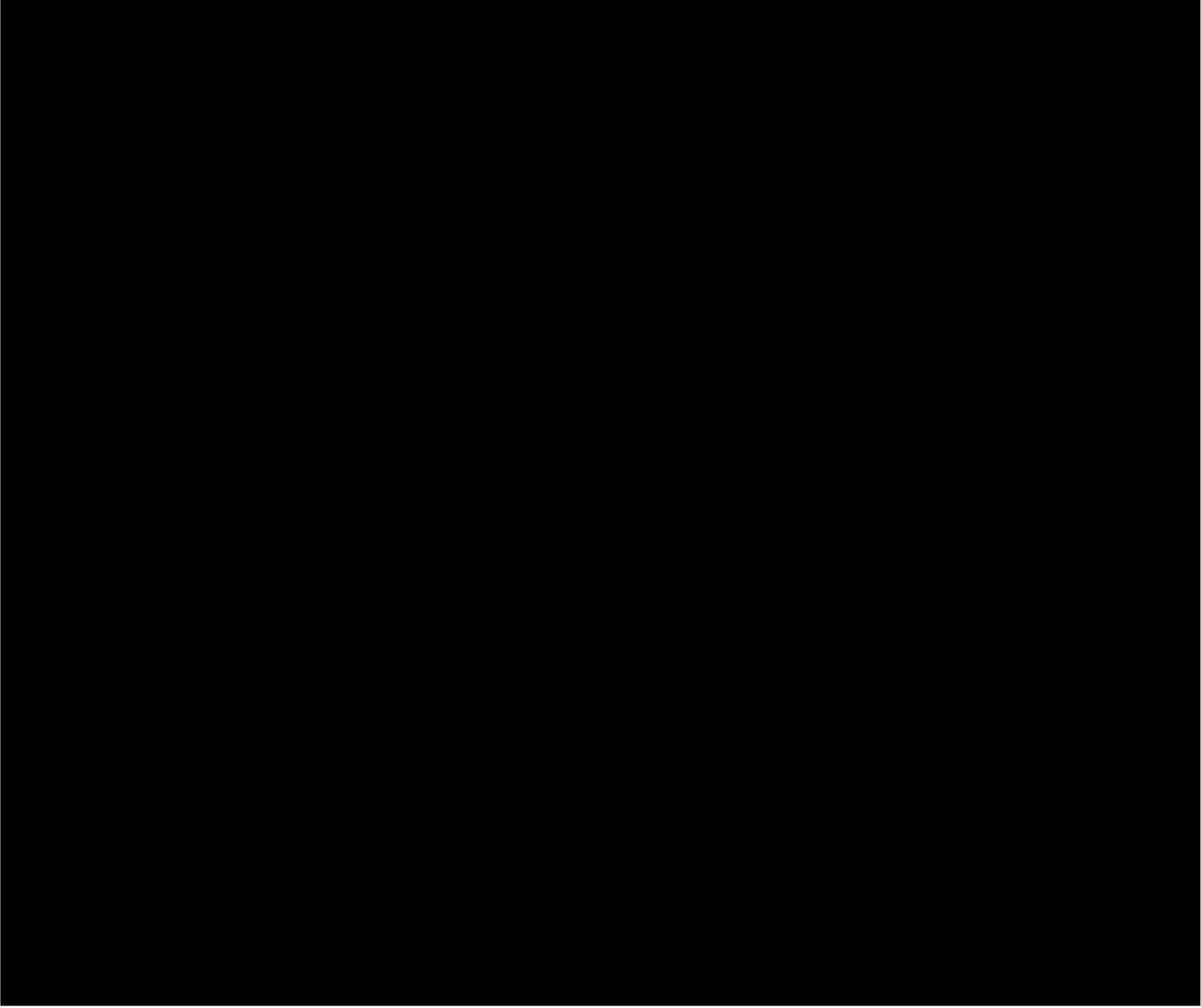
J. Contract Pricing Tiers Determination for DNDC.

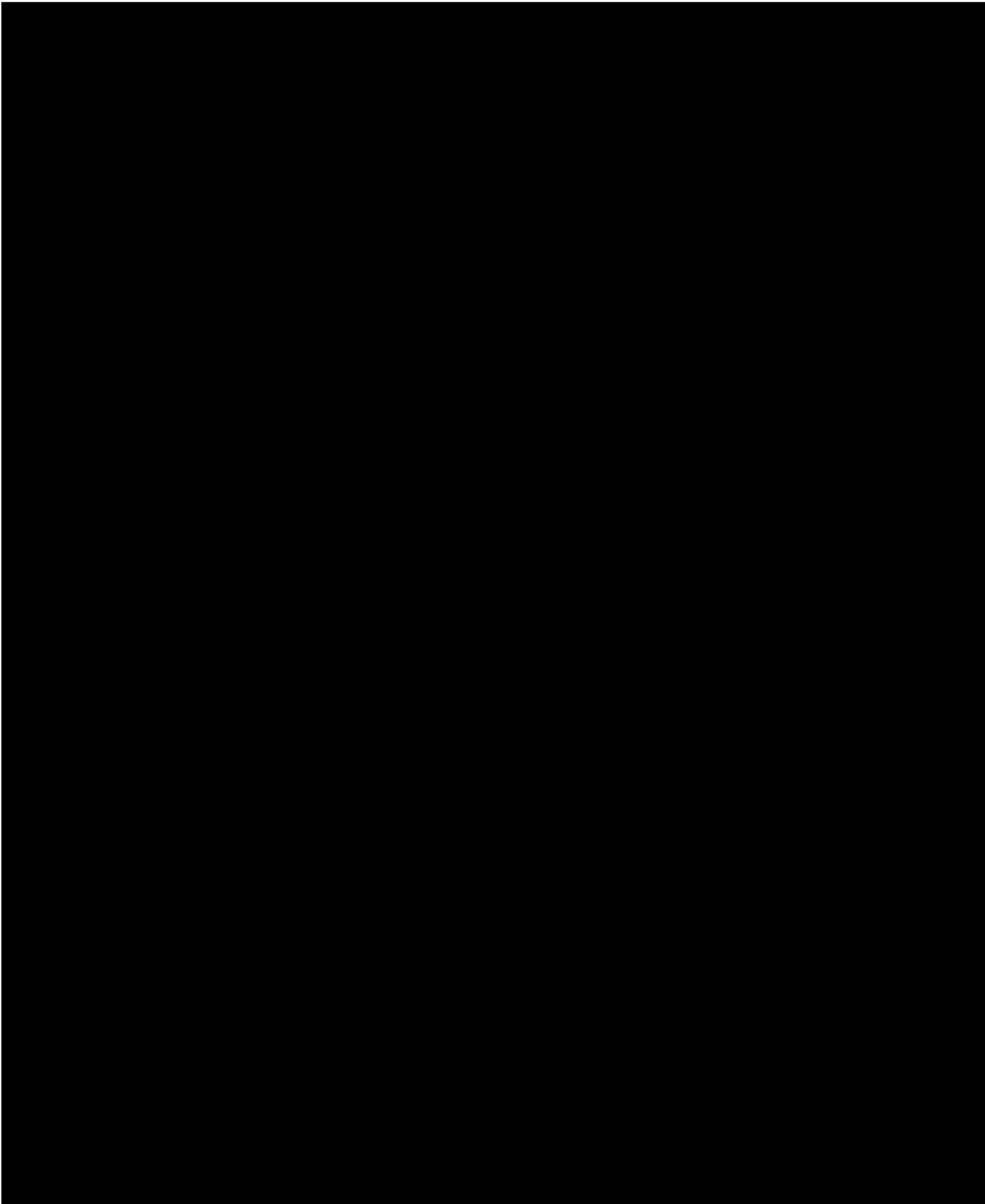
1. From the Effective Date of the Contract until the end of Contract Year 1, Customer will pay Tier 4 prices for [REDACTED], pursuant to Table 4 below. Should Customer fail to ship at least [REDACTED] Group B Total Packages during Contract Year 1, Customer will pay the Postal Service the difference between the prices paid and prevailing published prices as of the date of shipment for all pound-rated [REDACTED] shipped during Contract Year 1. Where applicable, the Postal Service will determine the additional postage due which Customer will be required to pay within forty-five (45) calendar days of written notification from the Postal Service. Early termination of this Contract does not exempt Customer's requirement to pay any additional postage due pursuant to this Section I.J.1. If the Postal Service terminates this Contract before the end of the first Contract Year, Customer is exempt from any additional postage due pursuant to this Section I.J.1 that Customer would have otherwise been required to pay.
2. Subsequent tier pricing will be determined by the quarterly average of Group B Total Packages shipped during the term of this Contract. If the quarterly average of Group B Total Packages shipped falls below the minimum volume set for Tier 1 pricing, the Postal Service in its sole discretion has the right to revert Customer to prevailing published prices for Parcel Select DNDC for the subsequent Contract Quarter.

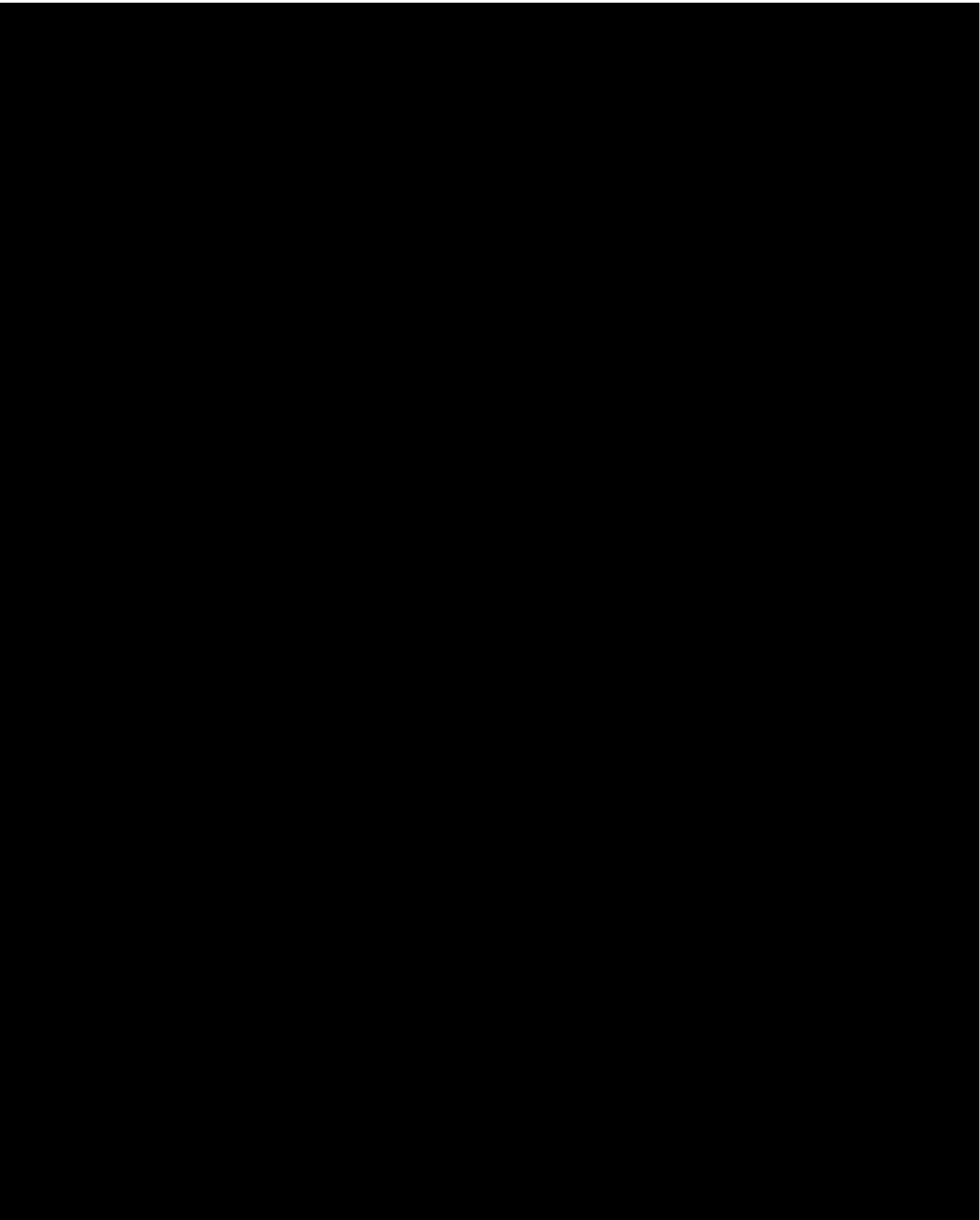
- K. Customized prices for this Contract will be based on a rolling four (4) quarter average. The average will be based on the number of Total Packages (Group A for Parcel Select pound-rated DDU and DSCF, Parcel Select Lightweight DDU and DSCF, Parcel Return Service RDU and RSCF, and Parcel Select Ground Returns Contract Prices and Group B for all other Contract Prices) shipped divided by four (4). Beginning with the first Contract Quarter in Contract Year 2, and for subsequent Contract Quarters, pricing will be determined by calculating the number of Total Packages (Group A for Parcel Select pound-rated DDU and DSCF, Parcel Select Lightweight DDU and DSCF, Parcel Return Service RDU and RSCF, and Parcel Select Ground Returns Contract Prices and Group B for all other Contract Prices) shipped in the previous four (4) Contract Quarters divided by four (4). At the conclusion of each Contract Quarter, the Postal Service will calculate Group A and Group B Total Packages shipped and the number of applicable Contract Quarters to calculate and apply the appropriate rate table within thirty (30) calendar days of the

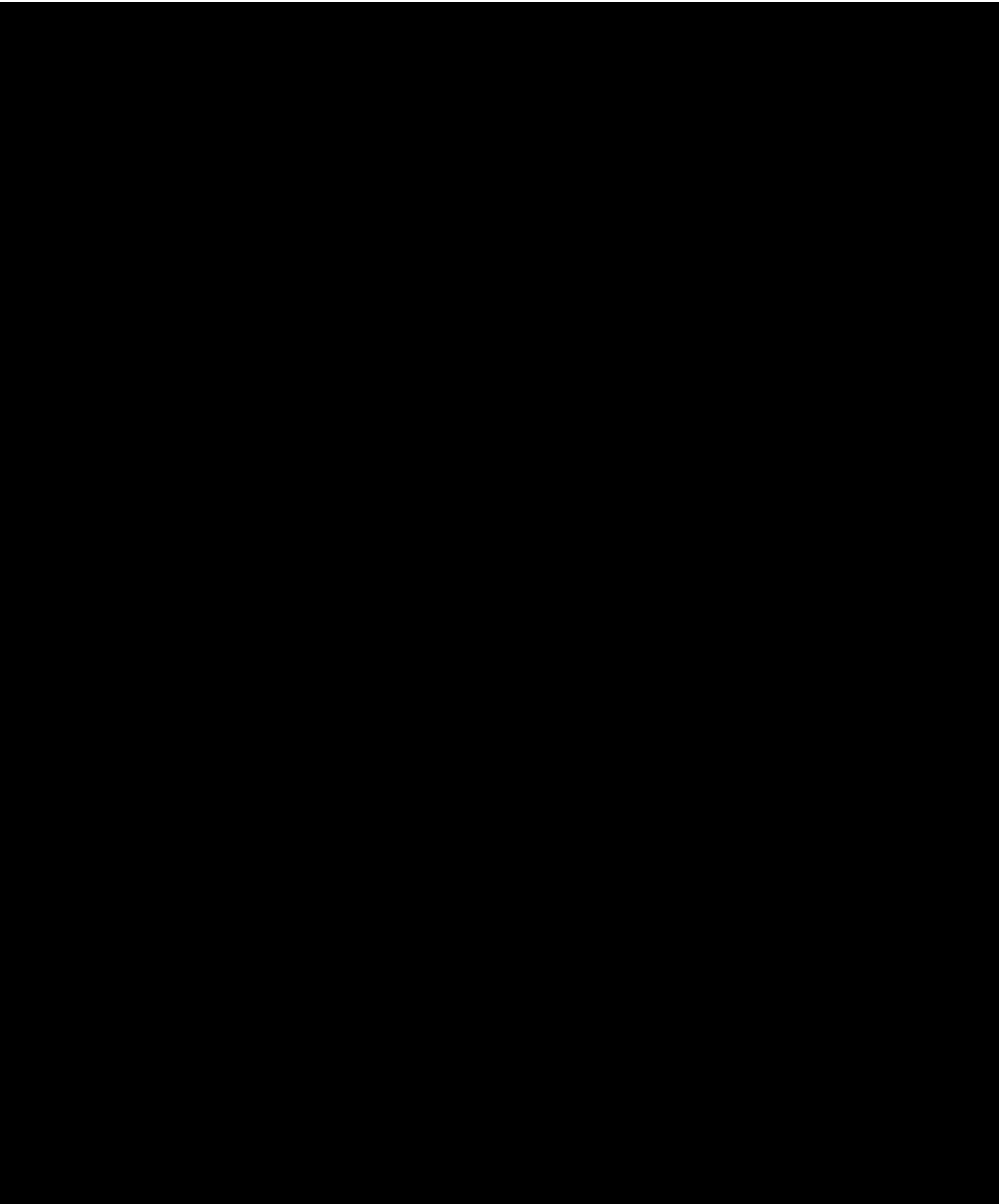


conclusion of that Contract Quarter.

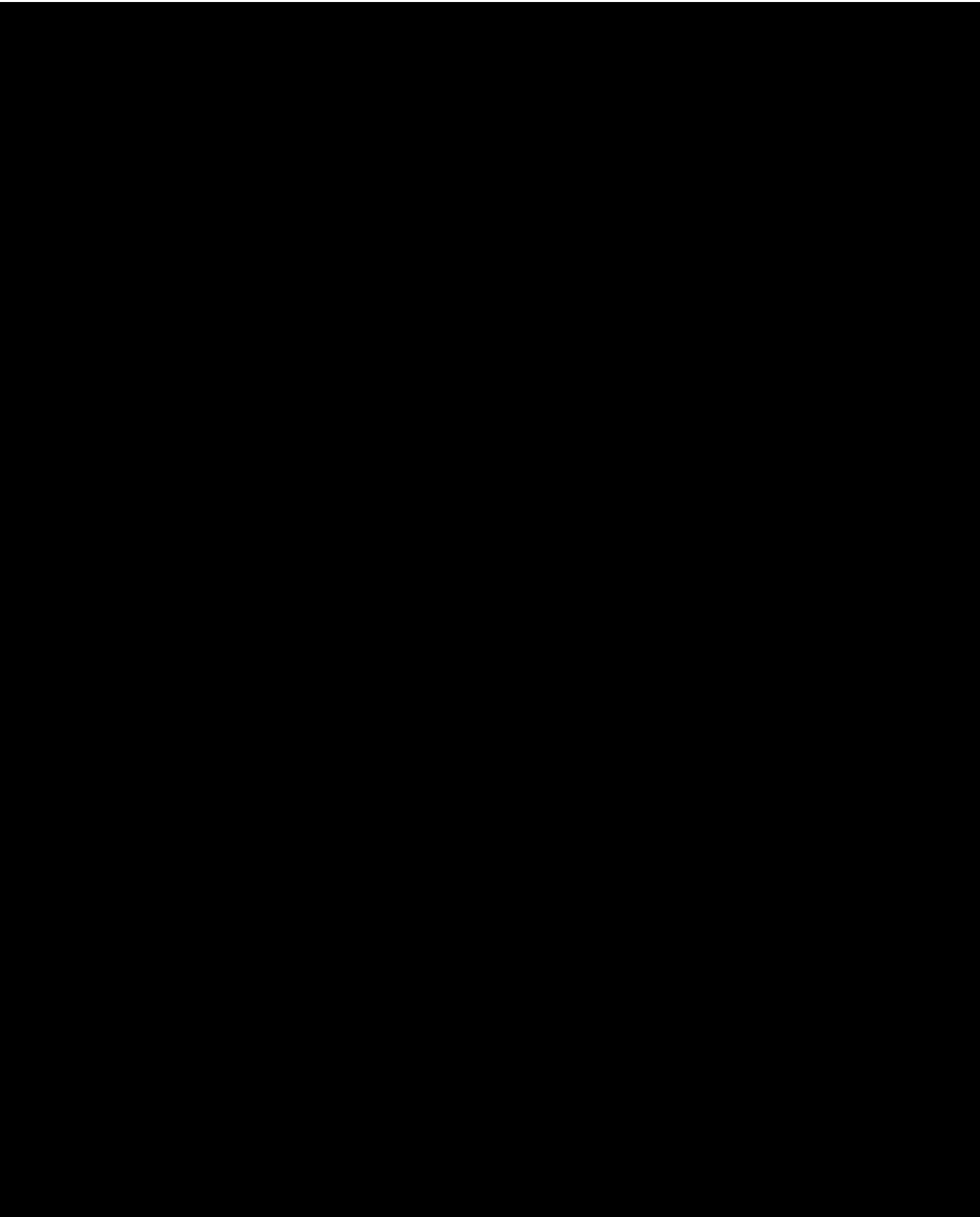
- L. Contract Package Pricing. Tables 1 through 7 below apply to Customer's [REDACTED] from the Effective Date of this Contract until February 1, 2023. Tables 8 through 14 below apply to Customer's [REDACTED] from the Effective Date of this Contract until February 1, 2023. Customer will pay prevailing published prices for its [REDACTED] for the duration of this Contract.
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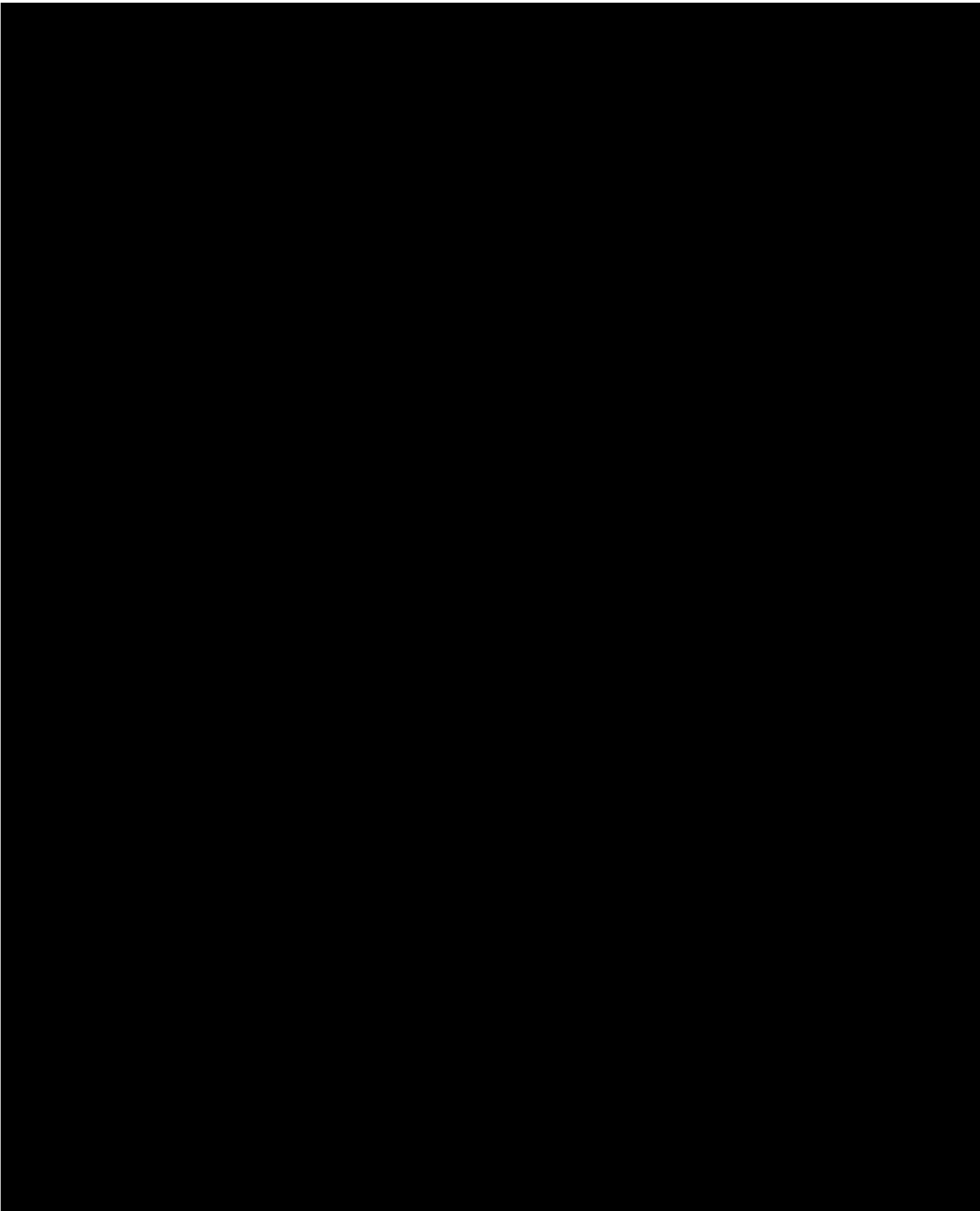


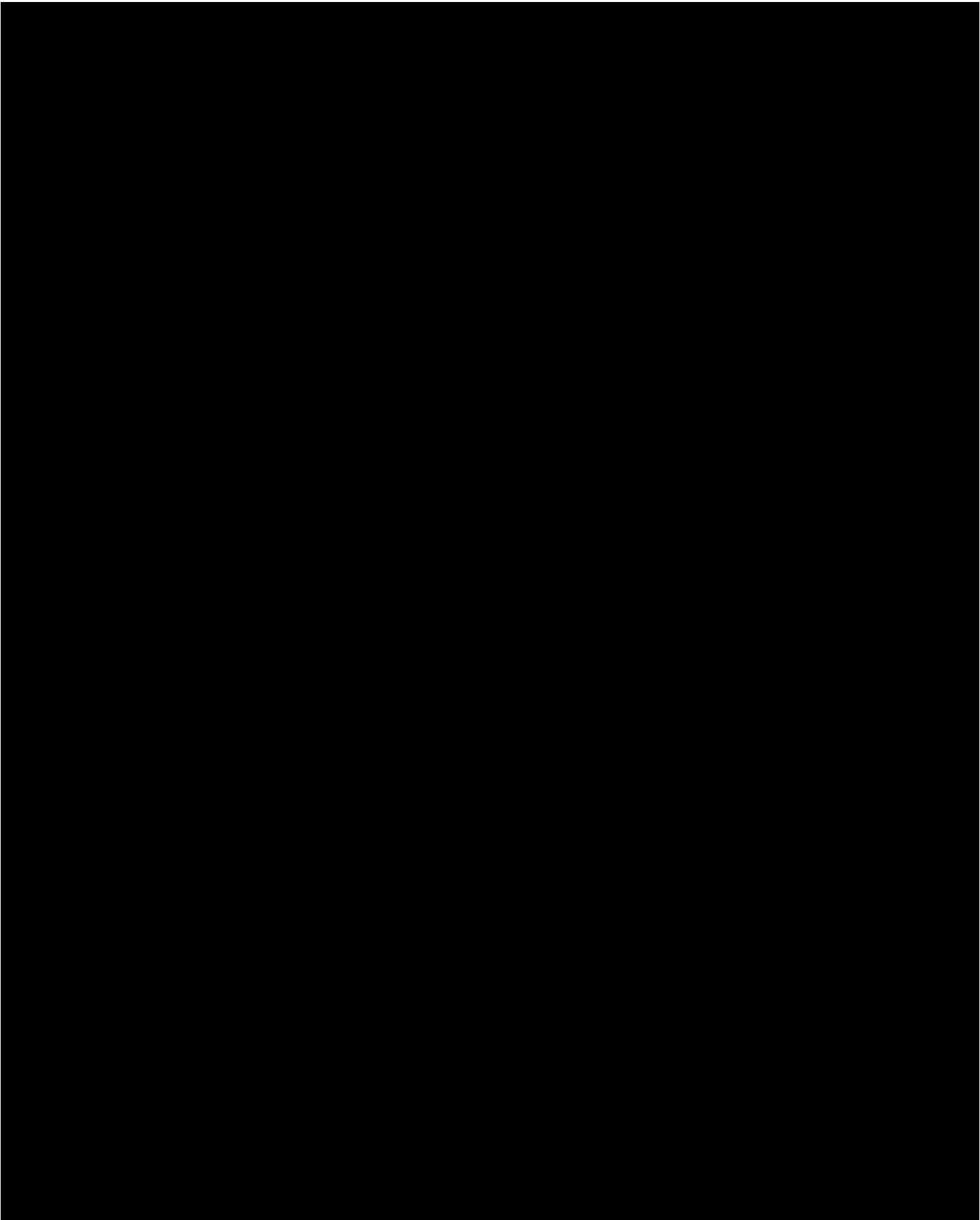


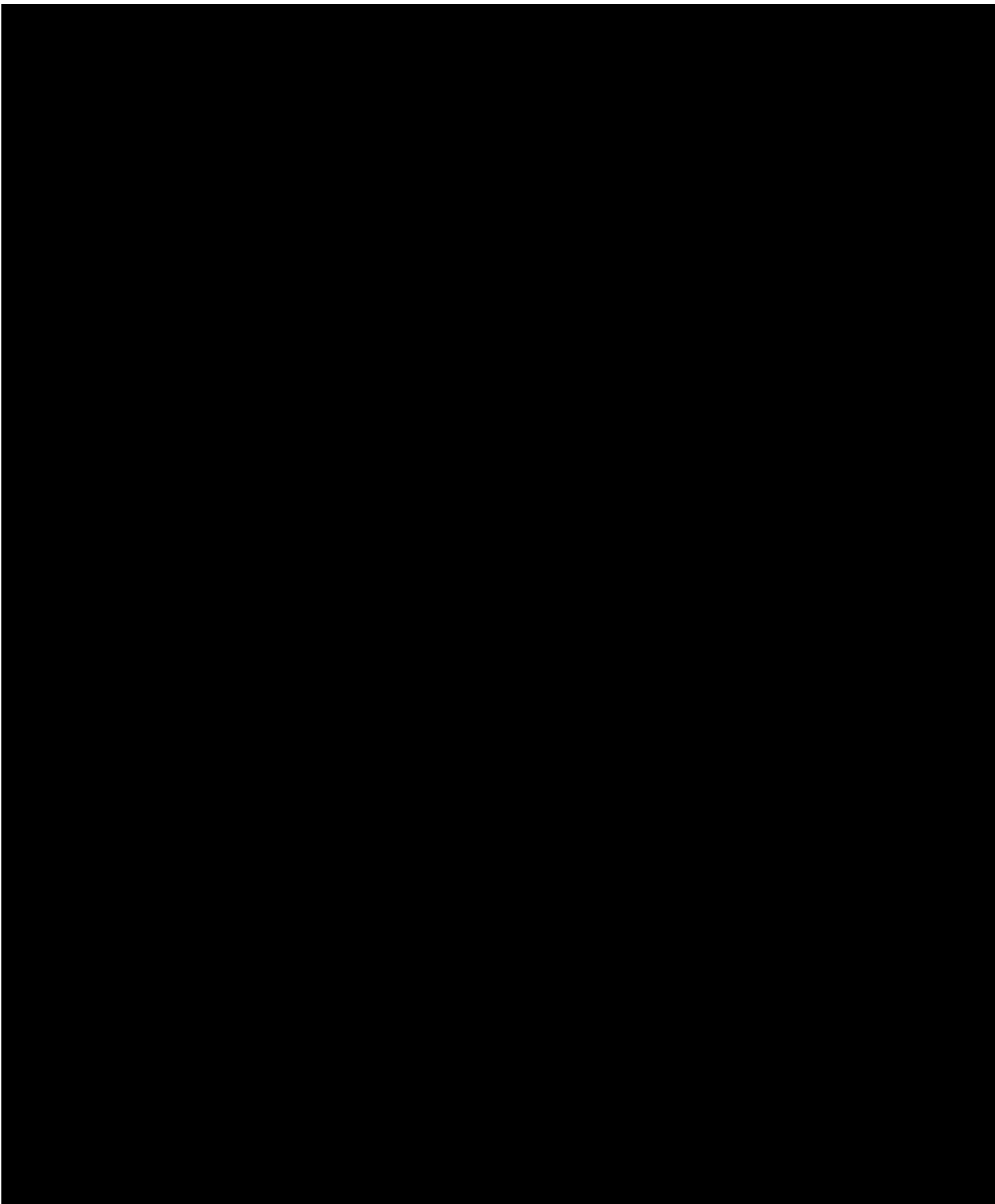


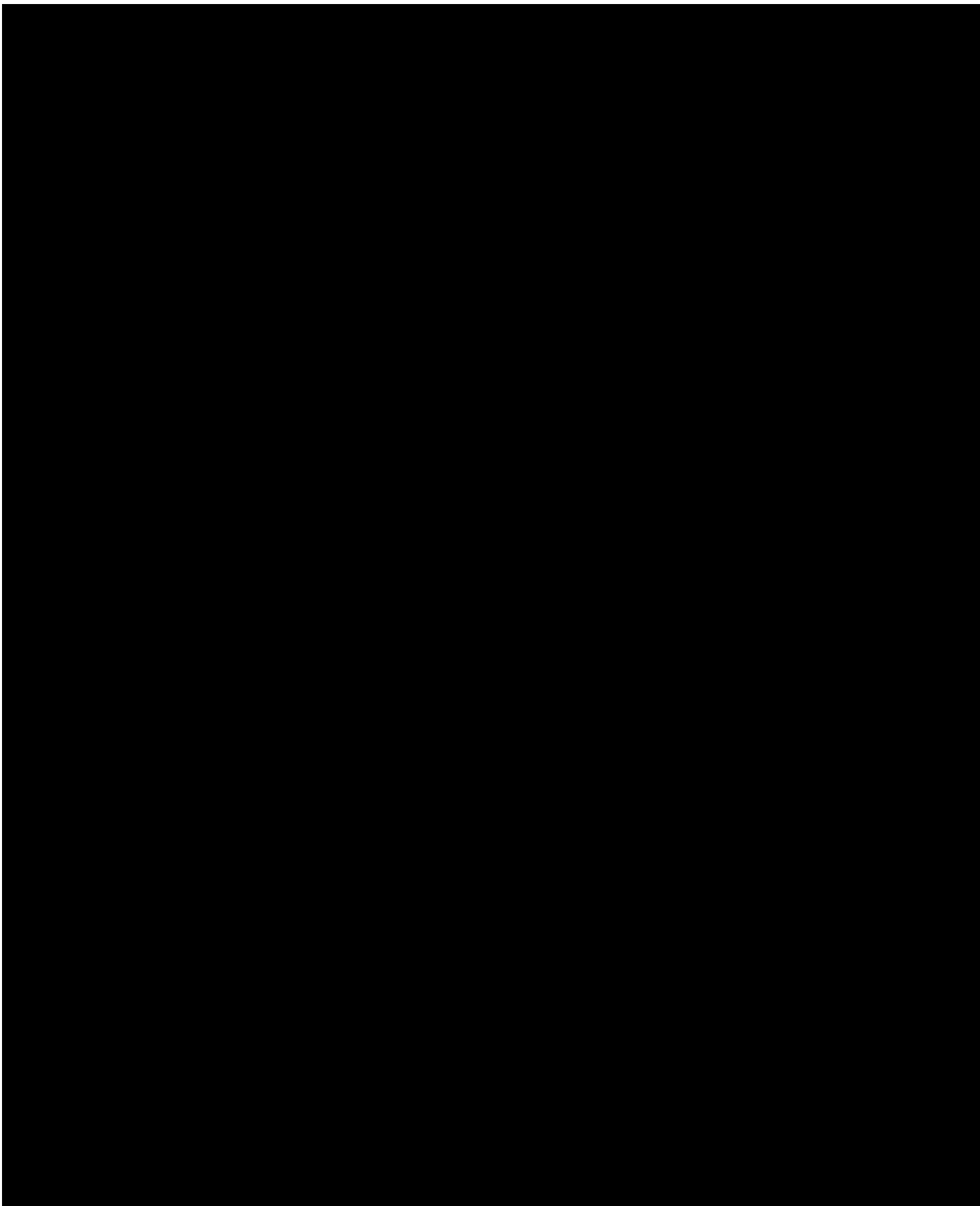




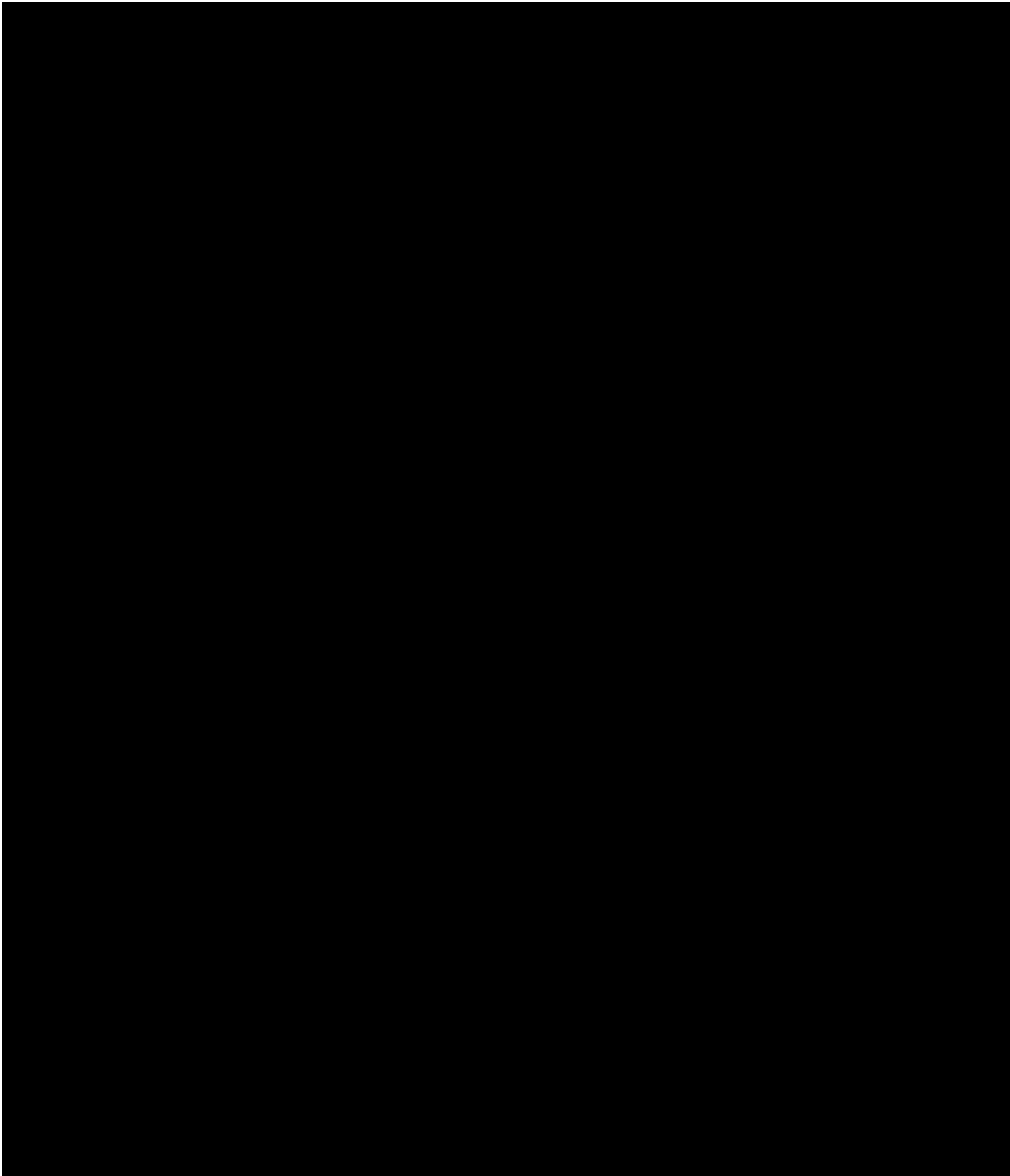












[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

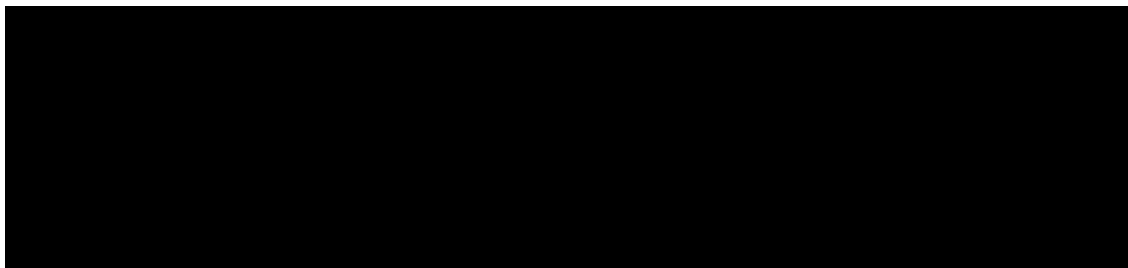
[REDACTED]

N. Annual Adjustment

1. On February 1, 2023, Contract Prices will be the lesser of: (a) the previous Contract Year's prices, plus the most recent overall percentage increase in published prices of general applicability, as calculated by the Postal Service, for


the Parcel Select Non-Lightweight price categories for DDU, DSCF and DNDC (i.e. excluding Parcel Select Lightweight), Parcel Return Service RDU and RSCF, and Parcel Select Ground, or (b) the previous Contract Year's prices plus the applicable rate cap percent referenced in Section I.O.1 and Table G below.

2. On February 1<sup>st</sup> in each subsequent year of the Contract ("Rate Change Date"), Contract Prices will be the lesser of: (a) the previous Contract Year's prices, plus the most recent overall percentage increase in published prices of general applicability, as calculated by the Postal Service, for the Parcel Select Non-Lightweight price categories for DDU, DSCF and DNDC (i.e. excluding Parcel Select Lightweight), Parcel Return Service RDU and RSCF, and Parcel Select Ground, or (b) the previous Contract Year's prices plus the applicable rate cap percent referenced in Section I.O.2 and Table H below.
  3. If the Postal Service maintains or decreases published rates of general applicability for Parcel Select DDU, Parcel Select DSCF, Parcel Select DNDC, Parcel Return Service RDU, Parcel Return Service RSCF, or Parcel Select Ground, there shall be no change to Contract pricing for that Contract Year for the respective product.
  4. Contract prices for subsequent Contract Years will be calculated by the Postal Service and rounded up to the nearest whole cent.
- O. Annual Adjustment Rate Cap. Customer shall be eligible for a rate cap to the Annual Adjustment referenced in Section I.N above for 2023 and each subsequent year if the following conditions are met.
1. For the Annual Adjustment effective February 1, 2023, Customer will receive a rate cap to the Annual Adjustment determined by the quantity of Total Packages shipped in 2021 and 2022, pursuant to Table G below.



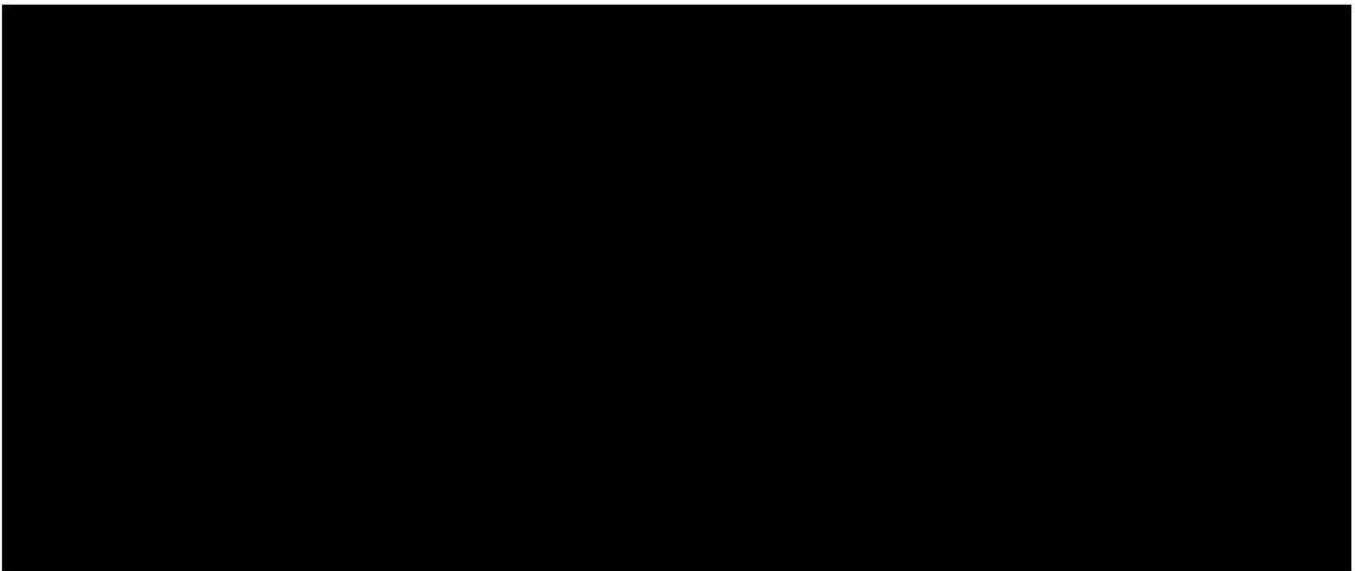
2. For the Annual Adjustment effective February 1<sup>st</sup> in subsequent years, the rate cap to the Annual Adjustment will be determined by the difference between Total Packages shipped in the most recent full calendar year compared to the same period the previous year (SPLY). For example, the rate cap applicable to the February 1, 2024 Annual Adjustment would be based on Total Packages shipped in 2023 compared to Total Packages shipped in 2022. The growth percentage pursuant to Table H below will be used to determine the rate cap for the Annual Adjustment for Contract Year 3.



P. 

Q. Customer will pay any published additional fees and surcharges, if any, associated with Parcel Select and Parcel Return Service as published in the Domestic Mail Manual.

R. **Surcharges, Additional Fees and Time-Limited Price Changes.** To the extent the Postal Service promulgates a surcharge, additional fee, or time-limited price change, applicable to the products defined and referenced in Term I.B, during the term of this Contract, such surcharge, fee, or time-limited price change will be applied to the then applicable prices for those products under this Contract, subject to the same terms as such surcharge or fee is applied to the prices of general applicability for those products, respectively, as calculated by the Postal Service. The surcharge, fee, or time-limited price change ("TLPC") shall not exceed the limits expressed in Table I below for Contract Packages, and shall not be considered the "most recent price change" for the purposes of the Annual Adjustment provision in Section I.N above. The Postal Service reserves the right to forego an increase pursuant to this section or increase by a lesser amount (but no less than zero), at its sole discretion.





- S. **Business Reviews.** Starting at the conclusion of the second full Contract Quarter, the Parties shall, within thirty (30) calendar days after the conclusion of each full Contract Quarter in each Contract Year, jointly conduct a business review of Customer's Contract Package volume, weight and cube characteristics, time in transit, and other performance expectations under this Contract either in person, by telecom, or by webinar. If either Party is unable to conduct a business review within thirty (30) calendar days after the conclusion of the above referenced Contract Quarters, it shall notify the other Party in writing (i.e. email or mail) of that fact and propose a date as soon as practicable thereafter. The Postal Service must notify Customer, within thirty (30) calendar days after the start of each full Contract Quarter, of the applicable tiered discounts for any Contract Packages shipped during that Contract Quarter. The calculated rate for the new Contract Quarter will become effective within thirty (30) calendar days from the start of the new Contract Quarter.
- T. **Standard Operating Procedures.** The Parties will endeavor to mutually agree to operational procedures and service level commitments as it pertains to Parcel Select packages. Such procedures are intended to be documented in an agreement (the "Operations Standard Operating Procedures, or "Operations SOP", or "Ops SOP") between the Parties.
- U. **Record Keeping and Audit.** Customer shall respond to the Postal Service's or its designated auditor's quarterly and/or yearly transaction confirmations related to Postal Service transactions; and such other assistance as required by the Postal Service or its designated auditors in connection with Customer's performance under this Contract.

## **II. Regulatory Review and Effective Date**

This Contract is subject to approval by Postal Service senior management and/or the Governors of the Postal Service, as well as by the Postal Regulatory Commission (the "Commission"). In accordance with Title 39 and the Commission's Rules of Practice and Procedure, the Postal Service will make required filings with the Commission. The Effective Date of this Contract shall be three (3) business days following the day on which the Commission issues all necessary regulatory approval. For the purposes of this SSC, business days are defined as Monday through Friday, excluding federal holidays and days on which the Postal Service Headquarters is administratively closed.

## **III. Expiration Date, Termination and Extension**

This Contract shall expire March 31, 2025, unless (1) terminated by either Party with ninety (90) calendar days' notice to the other Party in writing; (2) extended for up to two additional one year periods through written mutual agreement of the Parties; (3) superseded by a subsequent contract between the Parties; (4) ordered by the Commission or a court; or (5) required to comply with subsequently enacted legislation.

If, at the conclusion of this Contract term, both Parties agree that preparation of a

successor SSC is active, the SSC will be extended for up to two (2) ninety (90) calendar day periods with official notification to the Commission at least seven (7) calendar days prior to Contract's expiration date. Upon both Parties agreement of the extension, the escalation clause will be implemented in Section I.N, throughout the extension period.

#### **IV. Appeals**

Customer may appeal a Postal Service decision regarding the calculation of prices, the amount of postage paid, or other implementation or operational issues under this Contract by submitting a written appeal via email, along with any and all supporting documentation, within thirty (30) calendar days of receipt of notification of the determination giving rise to the appeal to: [REDACTED]. The appeal is forwarded to the Pricing and Classification Service Center (PCSC). The PCSC manager issues the final agency decision. Any decision that is not appealed as prescribed becomes the final agency decision.

#### **V. Confidentiality**

The Parties agree that the terms and conditions of the Mutual Non-Disclosure Agreement ("MNDA") between Customer and the Postal Service in effect as of the Effective Date of this Contract are incorporated herein by reference and shall apply to all Confidential Information (as defined in the MNDA and including but not limited to the pricing terms of this Contract and Customer's identity as a Party) disclosed by one Party to another.

#### **VI. Amendments**

This Contract shall not be amended except expressly, in writing, by authorized representatives of the Parties.

#### **VII. Assignment**

Neither Party may, or shall have the power to, assign its rights under the Contract or, delegate its obligations hereunder, without the prior consent of the other; such consent is not to be unreasonably withheld. In addition, in the event that Customer is merged with or into or acquires another entity, pricing under this Contract following such merger or acquisition shall apply only to mail sent by the entity existing prior to the merger or acquisition. Following any such merger or acquisition, the Parties may negotiate in good faith to extend, modify or enter into a new contract applicable to the merged or acquired entity.

#### **VIII. Waiver**

Any waiver by a Party shall not constitute a waiver for any future occurrence. No waiver shall be valid unless set forth in writing executed by the Party waiving such provision.

IN WITNESS WHEREOF, the Parties hereto have caused this Contract to be duly executed as of the later date below:

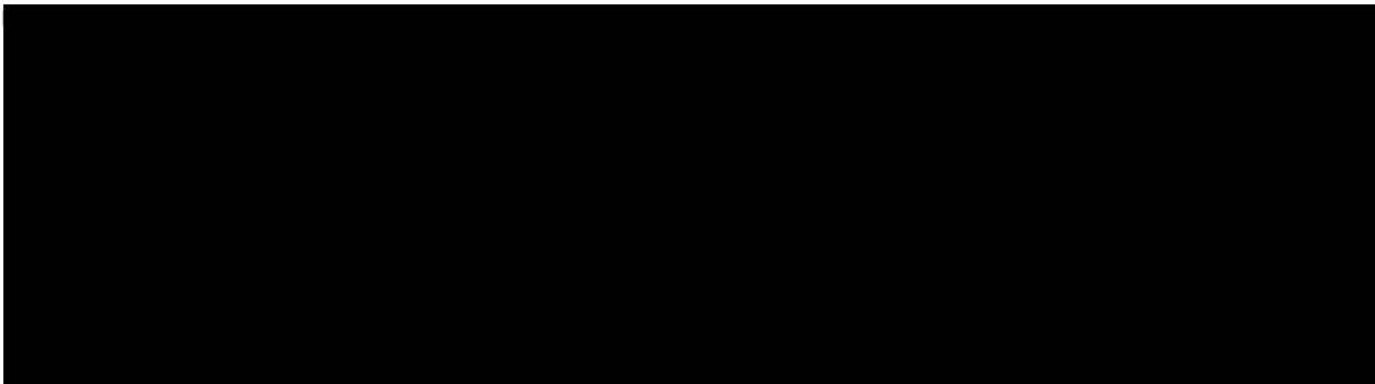
UNITED STATES OF AMERICA

Signed by: Jacqueline Strako

Printed Name: Jacqueline Strako

Title: Chief Commerce & Business Solutions Officer and Executive Vice President

Date: 10/29/2021



**Attachment A** [REDACTED]

**Attachment B** [REDACTED]

**Attachment C** [REDACTED]

**MAIL CLASSIFICATION SCHEDULE**

**PART B—COMPETITIVE PRODUCTS**

**2000 COMPETITIVE PRODUCT LIST**

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**NEGOTIATED SERVICE AGREEMENTS**

Domestic

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Parcel Select & Parcel Return Service Contract 14



## Statement of Supporting Justification

I, Shibani S. Gambhir, Director, Field Sales Strategy and Contracts, am sponsoring this request that the Commission add Parcel Select & Parcel Return Service Contract 14 to the list of competitive products. This statement supports the Postal Service's request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32. I attest to the accuracy of the information contained herein.

- (a) *Demonstrate why the change is in accordance with the policies and applicable criteria of the Act.*

As demonstrated below, the change complies with the applicable statutory provisions.

- (b) *Explain why, as to the market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. § 3622(d), and that it advances the objectives of 39 U.S. C. § 3622(b), taking into account the factors of 39 U.S. C. § 3622(c).*

Not applicable. The Postal Service is proposing that this Parcel Return Service contract be added to the competitive products list.

- (c) *Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. 3633.*

The service to be provided under the contract will cover its attributable costs and make a positive contribution to coverage of institutional costs. The contract will increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products arises (39 U.S.C. § 3633(a)(1)).

- (d) *Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs, (2) raise prices significantly; (3) decrease quality; or (4) decrease output.*

The contract sets specific terms and conditions for providing Parcel Select service and Parcel Return Service to the customer. Parcel Return Service is provided in a highly competitive market. The Postal Service is unable to set prices substantially above costs, raise prices significantly, decrease quality, or decrease output, without losing this business to private competitors in the expedited shipping market.

In negotiating this contract, the Postal Service's bargaining position was constrained by the existence of other providers of services similar to the Postal Service's. As such, the market precludes the Postal Service from taking unilateral action to increase prices or decrease service. As with Parcel Select service and Parcel Return Service in general, the Postal Service may not decrease quality or output without risking the loss of business to competitors that offer similar expedited delivery services. The market does not allow the Postal Service to raise prices or offer prices substantially above costs; rather, the contract is premised on prices and terms that provide sufficient incentive for the customer to ship with the Postal Service rather than a competitor.

- (e) *Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 189 U.S.C. 1696, subject to the exceptions set forth in 39 U.S.C. 601.*

I am advised that merchandise sent by Parcel Select service and Parcel Return Service and this contract are not covered by these provisions. See part (d) above.

- (f) *Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.*

See part (d) above. Expedited shipping, similar to Parcel Select service and Parcel Return Service, is widely available from well-known and successful private firms at both published and contract prices.

- (g) *Provide any available information of the views of those who use the product on the appropriateness of the proposed modification.*

Having entered into this contract with the Postal Service, the customer supports the addition of the contract to the product list so that the contractual terms can be effectuated.

- (h) *Provide a description of the likely impact of the proposed modification on small business concerns.*

The market for expedited delivery services is highly competitive and requires a substantial infrastructure to support a national network. Large shipping companies serve this market. The Postal Service is unaware of any small business concerns that could offer comparable service for this customer.

- (i) *Include such other information, data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.*

Additional details regarding the terms of the contract have been provided to the Commission under seal due to the sensitivity of the contract to both the customer and the Postal Service.

**Certification of Prices for Parcel Select & Parcel Return Service Contract 14**

I, Lisa H. Arcari, Director, Domestic Package Pricing, Finance Department, am familiar with the prices and terms for Parcel Select and Parcel Return Service Contract 14. The prices and terms contained in this Contract were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (Governors' Decision No. 19-1).

I hereby certify, based on the financial analysis provided herewith, that the prices are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). They are expected to cover attributable costs. There should therefore be no subsidization of competitive products by market dominant products. This contract should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

**Lisa  
Arcari**

Digitally signed  
by Lisa Arcari  
Date: 2021.11.02  
10:21:56 -04'00'

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Lisa H. Arcari

**APPLICATION OF THE UNITED STATES POSTAL SERVICE  
FOR NON-PUBLIC TREATMENT OF MATERIALS**

In accordance with 39 C.F.R. Part 3007, the Postal Service hereby applies for non-public treatment of: the unredacted Governors' Decision; the unredacted shipping services contract; and the supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5. The Postal Service hereby furnishes the justification required for this application by each subsection of 39 C.F.R. § 3007.201(b), as enumerated below.

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

**(1) The rationale for claiming that the materials are non-public, including the specific statutory provision(s) supporting the claim, and an explanation justifying application of the provision(s) to the materials.**

The materials designated as non-public consist of information of a commercial nature, which under good business practice would not be publicly disclosed. In the Postal Service's opinion, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3), (b)(4).<sup>1</sup> Because the portions of the materials which the Postal Service is applying to file only under seal fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

Information of a commercial nature, which under good business practice would not be publicly disclosed, as well as third party business information, are not required to

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<sup>1</sup> In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

be disclosed to the public. 39 U.S.C. § 410(c)(2); 5 U.S.C. § 552(b)(4). The Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A).<sup>2</sup> Because the portions of materials filed non-publicly in this docket fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

- (2) A statement of whether the submitter, any person other than the submitter, or both have a proprietary interest in the information contained within the non-public materials, and the identification(s) specified in paragraphs (b)(2)(i) through (iii) of this section (whichever is applicable). For purposes of this paragraph, identification means the name, phone number, and email address of an individual.**

The Postal Service believes that the customer with whom the contract is made has a proprietary interest in the non-public materials and that customer-identifying information is sensitive and should be withheld from public disclosure. Therefore, rather than identifying the customer, the Postal Service gives notice that it has already informed the customer, in compliance with 39 C.F.R. § 3007.200(b), of the nature and scope of this filing and its ability to address its confidentiality concerns directly with the Commission. The Postal Service employee responsible for providing notice to the third party with proprietary interest in the materials filed in this docket is Elizabeth A. Reed, Attorney, 475 L'Enfant Plaza SW, Washington, D.C. 20260-1137, whose email address is [Elizabeth.A.Reed@usps.gov](mailto:Elizabeth.A.Reed@usps.gov) and whose telephone number is 202-268-3179.

- (3) A description of the information contained within the materials claimed to be non-public in a manner that, without revealing the information at issue,**

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<sup>2</sup> The Commission has indicated that “likely commercial injury” should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.



**would allow the Commission to thoroughly evaluate the basis for the claim that the information contained within the materials are non-public.**

The Governors' Decision establishing Domestic Competitive contracts, including those for Parcel Select service and Parcel Return Service, the contract identifying the customer and containing the prices, terms, and conditions of the contract, and the financial workpapers supporting the contract are being filed under seal in this docket. Redacted copies of the Governors' Decision and the contract are being filed publicly in this docket. The Postal Service maintains that the redacted portions of the Governors' Decision, the contract, name of the customer and related financial information should remain confidential.

With regard to the contract, the redactions are of the name, address, signature block, and other information that could identify the customer; such identifying information of a postal patron may be withheld from mandatory public disclosure by virtue of 39 U.S.C. § 504(g)(1) and 39 U.S.C. § 410(c). Also redacted are the negotiated price structure and the terms directly related to implementation of the price structure.

The redacted portions of the Governors' Decision and attached Analysis protect the costs authorizing Domestic Competitive contracts, and the analysis of those costs.

The redactions applied to the financial work papers protect commercially sensitive information such as underlying costs and assumptions, pricing formulas, information relevant to the mailing profile of the customer, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions in the workpapers to the actual information it determined to be exempt from disclosure under 5 U.S.C. § 552(b). However, in a limited number of cases, narrative passages or notes were redacted in their entirety due to the practical difficulties of redacting particular words or numbers within the text as presented in a spreadsheet format.

**(4) Particular identification of the nature and extent of the harm alleged and the likelihood of each harm alleged to result from disclosure.**

If the redacted information were to be disclosed publicly, the Postal Service considers that it is quite likely that it and the customer would suffer commercial harm.

The information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices.

Revealing this information would provide a competitive advantage to competitors of the Postal Service and of the customer. The Postal Service considers that it is highly probable that if this information were made public, such entities would take immediate advantage of it and there is a substantial risk that the Postal Service and the customer would lose business as a result. Additionally, other postal customers could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service and other businesses could use the information to their advantage in negotiating with the customer. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

Finally, the financial work papers include specific information such as costs, negotiated prices and pricing structure, assumptions used in developing costs and prices, mailer profile information, and projections of variables. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's and the customer's competitors would likely take great advantage of this information. Unlike its competitors, the Postal Service is required to meet the standards of 39 U.S.C. § 3633 with each negotiated service agreement that it asks to have added to the competitive products list. Competitors are not so constrained and could use the redacted information to their advantage in gaining customers. The formulas shown in the spreadsheets in their native format provide additional sensitive information. Revealing the Postal Service's profit margin information could also be used by the customer to attempt to renegotiate its own prices.

**(5) At least one specific hypothetical, illustrative example of each alleged harm.**

Identified harm: Revealing customer identifying information would enable competitors to target the customers for sales and marketing purposes.

Hypothetical: The identity of the customer in this contract is revealed to the public. A competitor's sales representatives contact the Postal Service's customer and

offer the customer lower prices or other incentives, taking away the business anticipated by the Postal Service.

Identified harm: Public disclosure of negotiated terms of the agreement could be used by competitors and potential customers to the detriment of the Postal Service and its customer.

Hypothetical: A competitor obtains a copy of the unredacted version of Customer A's contract and workpapers to the detriment of the Postal Service's customer. Company B discovers proprietary business strategies and changes its business practices to minimize differentiation, identify their key customer base and cause defection of Customer A's customers. Customer A cancels the contract and withdraws their business from the Postal Service. Other companies would then refuse to share critical details of their business or to participate in negotiated prices with the Postal Service, harming the Postal Service's ability to compete in the marketplace for additional volume and revenue.

Hypothetical: The competitor could leverage multiple services to offer deeper discounts than provided by the Postal Service's contract as a loss leader, using profits on other products profits to make up for the temporary loss.

Identified harm: Public disclosure of the price formula, underlying cost structure, and information in the financial work papers relating to the contract would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing package delivery service or its representative obtains a copy of the unredacted version of the financial work papers. It analyzes the work papers to determine what the Postal Service would have to charge its customers in order to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers its customers under that threshold and markets its ability to guarantee to beat the Postal Service on price for similar delivery services.

Hypothetical: Competitors constantly monitor "cost to serve" scenarios to combine and alter facilities to lower costs. A competitor could add satellite pickup stations closer to the Postal Service's customer in order to underbid the Postal Service's prices.

Identified harm: Public disclosure of the prices and related terms would provide potential customers extraordinary negotiating power.

Hypothetical: Customer B obtains the contract showing Customer A's negotiated prices and the underlying workpapers. Customer B can determine that there is additional profit margin between the prices provided to Customer A and the statutory cost coverage that the Postal Service must produce in order for the agreement to be added to the competitive products list. Although Customer B was offered prices identical to Customer A's, Customer B uses the publicly available information to insist that it unless the Postal Service offers it even lower prices than Customer A's, it will not use the Postal Service but will give its business to a competitor of the Postal Service.

Alternatively, Customer B attempts to negotiate lower rates only for those destinations for which it believes the Postal Service is the low-cost provider among all service providers. The Postal Service may agree to this demand in order to keep the customer's business overall, which it believes will still satisfy total cost coverage for the agreement. Then, Customer B uses other providers for destinations other than those for which it negotiated lower rates. This impacts the Postal Service's overall projected cost coverage for the agreement. Although the Postal Service can terminate the contract when it sees that the mailer's practice and projected profile are at variance, the costs associated with establishing the contract, including filing it with the Postal Regulatory Commission, would be sunk costs that would have a negative impact on postal finances.

Harm: Public disclosure of information in the financial work papers would be used by the customer's competitors to its detriment.

Hypothetical: A business in competition with the customer obtains a copy of the unredacted version of the financial work papers. The customer's competitor analyzes the work papers to assess the customer's underlying shipping costs. The customer's competitor uses that information as a baseline to negotiate with shipping companies and other suppliers to develop lower-cost alternatives and thereby to undercut the customer.

**(6) The extent of the protection from public disclosure alleged to be necessary.**

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the market for domestic parcel shipping products, as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for such products should not be provided access to the non-public materials.

**(7) The length of time for which non-public treatment is alleged to be necessary with justification thereof.**

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless otherwise provided by the Commission. 39 C.F.R. § 3007.401(a). However, because the Postal Service's relationships with customers often continue beyond ten years, the Postal Service intends to oppose requests for disclosure of these materials pursuant to 39 C.F.R. § 3007.401(b-c).

**(8) Any other relevant factors or reasons to support the application.**

None.